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SUBJECT: SLOVENIA: PM JANSAL AT THE HALF-WAY MARK

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Classified By: COM Thomas B. Robertson for Reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Prime Minister Janez Jansa is nearly half-way through his first term in office. In that time we have enjoyed a much closer bilateral relationship with the Government of Slovenia (GOS) than with the previous, center-left government. He is a true believer in NATO and strong promoter of the trans-Atlantic relationship. Jansa shares our view of NATO's potential beyond Europe's borders and in the face of intense public criticism committed trainers to the NATO Training Mission in Iraq (NTM-I). Jansa has also made a point of pushing his small country on to the international stage by taking on leadership positions in international organizations such as the Human Security Network, the International Atomic Energy Agency (IAEA) and, in 2008, the presidency of the European Union. Slovenia's small size should not belie its strategic usefulness. Beyond the obvious role it plays as bridge from the EU to it's former compatriots in the Western Balkans, it embodies the success of the most recent round of EU enlargement, and it has a good story to tell on inter-ethnic dialogue. Slovenia is steadily emerging as a solid partner on global and regional issues from democracy in the EU Neighborhood to European energy policy. We should seek ways to further this cooperation and find opportunities to engage Slovenian civil society outside Slovenia's borders.

[1](#)2. (C) Our bilateral economic relationship does not benefit from the same robust engagement we enjoy on political issues. Slovenia's small size and short history as an independent country mean that it is loathe to see its crown jewels fall into foreign hands even if this would mean more jobs, profitability and stability. With only one significant new U.S. investment on the horizon, we should ensure PM Jansa appreciates the importance of success in this endeavor to future economic relations. End Summary.

JANSAL AND THE POLITICS OF REFORM

15 Years of Independence

[1](#)3. (C) On June 25, 2006 Slovenia celebrated 15 years of independence. Janez Jansa played a critical role from rallying Slovenian forces to face down Yugoslav National Armed forces in 1991 to leading it through its first years as a member of NATO and the EU. Jansa began his political

career in the 1980's as a dissident and was at the center of the struggle for democracy. His activities landed him in detention and prison for six months, including a period in solitary confinement. His experiences seemed only to strengthen his resolve, and he helped to found the first opposition political party, the Slovene Democratic Alliance. In 1990 he was elected to Parliament, and in May of that year he was named Minister of Defense. In 1994 he left government and went into the political opposition. Ten years later his party won a majority in Parliamentary elections and he was named Prime Minister.

14. (U) In his anniversary speech to the Slovene public, Jansa breathed some new life into his campaign call for reform. He encouraged Slovenians to continue their tradition of cooperation which began with the fight for independence in 1991 and continued, more recently, with the decision to join the European Union in 2004. Now, in a time of relative stability, he exhorted them to think big and beyond Slovenia's borders and to stand together in a vision for the future. He told them that in order to preserve their strong social safety net, quality of life and accessibility of education and health, economic development was crucial. He ended his speech by saying "We seek to become nothing less than one of the most successful countries in the world. On our way to achieving this goal we seek to make use of the best that is in our national character: creativity, hard work, entrepreneurship, dedication, justice, openness, tolerance, honesty, solidarity."

Taking on International Commitments -- Emphasizing the Trans-Atlantic Partnership

15. (C) Since PM Jansa formed his government in December 2004, he has done well in meeting many of his political goals including strengthening ties with the United States. His visit to Washington will be the culmination of 18 months of re-aligning the domestic and foreign policy of Slovenia towards a more expansive view of the trans-Atlantic relationship and how Slovenia can, and should, play an active role in NATO and other international fora. Since relinquishing chairmanship of the OSCE at the end of 2005, Slovenia has signed up to chair the IAEA, the Human Security Network, and the EU in the first half of 2008. Slovenia has been a strong advocate of human rights and was disappointed not to have been voted on to the UN Human Rights Council this year. It will try again next year as it believes membership on this Council will be critical when it takes on the EU presidency.

Challenges in the Coalition

16. (C) Jansa has been less successful at realizing goals of economic reform, privatization and attraction of foreign direct investment. Jansa's coalition is made up of four political parties, one of which represents a very narrow political base of pensioners and, other than Jansa's own Slovene Democratic Party (SDS), none of which enjoys more than 4% of popular support as reported in recent polls. Nonetheless, since the coalition only holds a one-seat majority in the parliament, each vote is important and even the smallest partner has the potential to scuttle important issues if provoked. Jansa has blamed this somewhat tenuous political arrangement for some of the difficulties he says he has on economic reforms.

Political Realignment?

17. (C) But, experience has shown that when Jansa decides he wants something, such as troops in Iraq, he can methodically work through the issues to make it happen. And, it is not clear that Jansa, at this point, is prepared to force economic reform on his coalition and the nation. Slovenia has benefited thus far from a gradual approach to reform, and there is not consensus within society that privatizing

troubled industries and inviting greater FDI is necessarily in Slovenia's best interest. Jansa continues to make the rhetorical push for recharge and reportedly has a plan to go forward with privatization and tax reform in the fall of 2006. With local elections slated for the fall, however, and with no successor to Joze P. Damijan, the Minister of Reform who resigned in March, we do not expect any dramatic new initiatives on this front in 2006.

18. (C) That said, there are also many rumors that Jansa will change his coalition as early as this Fall. The opposition Liberal Democracy Party (LDS) has been in disarray since October 2004 and may experience a schism soon as the new party president, Jelko Kacin, is a very polarizing figure. Borut Pahor, president of the Social Democrats (SD) and a member of the European Parliament, has aspirations to join government, though it is unlikely he could get the SD, in its current configuration, to go along. Jansa himself and his government continue to enjoy solid support from the public and it would be a surprise if any in the current opposition could pull off a strong challenge in the 2008 parliamentary elections.

EXPANDING OUR PARTNERSHIP

Political-Military

19. (C) After 10 years in the opposition, Janez Jansa became Prime Minister in October 2004. For the first time, power transferred from the long-time center-left ruling coalition headed by the LDS to Jansa and his center-right collation led by the Slovene Democratic Party. Since we last surveyed his progress (ref A) Jansa has continued to develop as a strong and skillful leader on foreign policy. He overcame resistance both public and within his coalition to put troops in Iraq. He was unflappable in the face of intense media criticism and made a convincing case for involvement based on Slovenia's obligations as a member of NATO. Jansa has since continued to ensure Slovene participation in every new NATO mission. In addition, the GOS has recently contributed another \$120,000 to the NTM-I trust fund. We should thank Jansa for his courage in bucking the European trend in Iraq and encourage him to continue supporting Slovenia's active participation in NATO.

110. (C) The GOS has been clear that providing stabilizing forces for KFOR and the EU mission in Bosnia is its priority for troop deployment outside of Slovenia. Nonetheless, it has made a solid contribution to our efforts in Afghanistan. While we do not expect the GOS to offer more in the way of military support, it has repeatedly expressed interest in becoming involved in civil reconstruction. The Prime Minister's visit to Washington presents an excellent opportunity to explore this offer in more detail and we should engage the GOS and find opportunities to involve Slovenia in civil reconstruction efforts.

Transformational Diplomacy

111. (C) Over the last nine months, as USAID has been planning to withdraw from the region, we have been looking for opportunities to cooperate on democracy promotion and civil society building projects. Our Public Diplomacy Section has made a priority the funding of projects proposed by Slovene NGOs with a regional focus. Slovenia boasts several world-class NGOs including the Together Foundation which provides psychosocial support for children victims of war and other trauma and helps to develop the concept of volunteerism and promotion of civil society among children and youth in troubled regions such as the western Balkans, Iraq and South Ossetia/Chechnya. We hope Together will be successful in its request for funding from the National Endowment for Democracy for a project in Chechnya.

¶12. (C) The International Trust Fund for Demining (ITF), which the USG provides with up to USD 9 million in matching funds annually, has provided the region with a decade of outstanding service in mine removal and victim rehabilitation. It has more recently begun to explore opportunities to assist further afield in the Caucasus and Afghanistan.

¶13. (C) The recently inaugurated Center for European Perspective (CEP) provides an interesting option for us to partner with Slovenia in the region. The GOS has backed the creation of this NGO with USD 1 million in seed money. Among EU members, there is no more vocal advocate for EU expansion than Slovenia which believes peace in the region cannot be fully secured without the eventual inclusion of all former Yugoslav republics into the European Union. The GOS will use the CEP to promote this goal, one which we share, and a program for training of Kosovar civil servants has already been developed. The GOS has also indicated it will use the CEP to discuss cross-cultural issues including Islam in Europe. We should take advantage of the newness of CEP to partner with it early in its history in order to ensure it develops a strong Euro-Atlantic personality and provides a basis for a constructive partnership in the future.

Economy - Still a Ways to Go

¶14. (C) While we have seen our political and diplomatic relationship flourish since Prime Minister Jansa took office, we have not enjoyed a commensurate experience on the economic side. Promised reforms and privatizations have been slow to materialize, little is done to attract and retain foreign investment, and vested interests in the status quo seem to win the day in most situations. Much of this can be attributed to the politics of a small country and is not a unique phenomenon of one political party or another. There is a potentially huge U.S. investment in the offing. Harrah's, owner of several casinos in Las Vegas and Atlantic City, would like to develop a casino resort in southern Slovenia near the border with Italy. This investment, valued at over USD 700 million would provide Slovenia with a much needed shot of investment which would expand the tourist base, provide jobs, and increase tax revenue. Discussions between Harrah's and the GOS have been ongoing since the Spring of 2005. Harrah's has recently expressed some frustration with the slowness of its negotiations with the GOS and apparent resistance in some quarters to see this deal concluded. PM Jansa should be urged to commit the GOS to this project or risk seeing Harrah's look elsewhere for its first European venture.

Energy - The Russians are Coming?

¶15. (C) Slovenia is a small country of 2 million inhabitants with a moderate amount of industry and a well diversified energy base. It does not figure as a major player in the European energy discussion, however, it occupies a potentially strategic location on the route of proposed gas and oil pipelines supplying western Europe. Recently, it has objected to the Italian proposal of placing liquid natural gas terminals in the Bay of Trieste, and it has resisted signing on to the construction of a pan-European oil pipeline, in both instances, primarily on environmental grounds. After the Prime Minister's visit to Moscow in May, Gazprom has recently been in Ljubljana wooing the Minister of Economy and the CEO of the main petroleum retailer. Discussion ranged from building a gas pipeline from Russia through eastern Europe and terminating in Slovenia to supply Italy and western Europe, to investment in a defunct Slovenian oil refinery (ref C). Given Slovenia's track record on foreign direct investment, we do not expect either of these projects to move forward with alacrity. Any project, however would only proceed with the express support of PM Jansa.

COMMENT

¶16. (C) Over the next 18 months, Jansa and his government will be preparing to take on the monumental job of EU President in the first half of 2008. Slovenia will be the first of the new EU states to take on this responsibility. There will be a strong pull from Brussels for resources and attention and the temptation will be for Slovenia to adopt a neutral stance on issues of importance to us once it takes over the Presidency. We should ensure, beginning with the Prime Minister's visit to Washington, that we actively engage the GOS on our priorities. Drawing Slovenia into close partnerships on issues from NATO peace-keeping missions to human rights initiatives in the UN and the building of civil society in emerging democracies and regions recovering from war and other disasters will ensure an EU presidency in 2008 that understands and appreciates U.S. priorities in the trans-Atlantic relationship and around the globe.

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